

Risk Management Made Simple

Welcome to the FREE Online Newsletter about **Systematic Risk Management**
for **executives** and **management professionals**
from **Risk Wise Inc.** and **Diana Del Bel Belluz**

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"Diana Del Bel Belluz is **an articulate thought-leader** in the field of risk management."

Edward Robertson
Manager, Enterprise Risk
Management
Government of British Columbia

FEATURE ARTICLE: Overcoming Resistance Part 3 – Breaking Through the Political Barriers

By **Diana Del Bel Belluz, M.A.Sc., P.Eng.**

A common question I am asked by risk management leaders is **"How can I get senior executives in my organization to pay more than lip service to systematic risk management?"** When the senior leadership team doesn't buy-in, it undermines the whole effort to enhance risk management.

Over the years I have observed that **political resistance is the most significant challenge to the successful implementation of risk management.** This is because to systematize risk management, it needs to become part of the organization's culture. And culture flows from the example set by the leaders at the highest levels of the organization. This is often called the tone at the top.

In Part 1 of this series on overcoming resistance, we provided tips for overcoming **rational resistance** with a solid plan for change. In Part 2, we shared tips on overcoming your people's **emotional resistance** to risk management. **In this issue, we'll provide three tips to overcome common sources of political resistance** from the most senior decision-makers in the organization.

1. **Get political.** To address a political barrier you must enter the world of politics. What I mean by **politics is the process by which groups of people make decisions.** Politics is observed in all human group interactions, **particularly those involving authority or power.**

The purpose of risk management is to improve the quality, transparency, and ultimately the outcomes of decisions. Implementing systematic risk management usually requires enhancements to:

- **How information is gathered and selected** (or discarded) based on its relevance.
- **How decisions are made**, including whose input is sought and whose judgment prevails.
- **How the outcomes of decisions are monitored and evaluated** for the purpose of learning and improving over time.

At first blush, **many decision-makers will feel threatened by the proposed enhancements because they think that it will diminish their power and authority.** But this is a limited view.

The truth is **risk management provides the necessary transparency** to ensure that **power is applied in legitimate ways** for the good of the organization. As a risk management leader, you need to help senior decision-makers in your organization to appreciate the full picture. That is, risk management is the foundation upon which **good governance, ethics, and accountability** are built.

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You need to get political to **convince senior decision-makers that if they fail to adopt systematic risk management practices** and are unwilling to open their decisions to scrutiny, **there will be political fallout**. Employees, the board, and other **stakeholders will eventually question their legitimacy and authority**, if they don't already.

Also, **your executive team must lead by example** if systematic risk management is going to become part of the organization's culture.

I suggest you **adopt a strategy that has your senior executives start by applying risk management in a non-threatening situation**. For instance, they could apply it to a past decision to see how it could enhance their repertoire of decision support tools and skills.

Once your senior leaders have experienced the power and confidence that comes from opening up the decision-making process to the risk discipline, **they will be hooked**.

2. **Cultivate a 'risk' conscience**. We expect our decision-makers to apply their judgment in a way that carefully weighs the evidence and balances the organization's risk appetite and risk tolerance. This balancing act involves using intuition. And **whenever we rely on our intuition, bias and politics can creep in**.

The challenge for risk management leaders is to **ensure that decision-makers apply intuitions appropriately**. Start cultivating a risk conscience by developing a list of questions that you and others in the organization can use to **test the judgments made in the decision-process**.

Examples of intuition-testing questions can be found in journalist **Dan Gardner's** book *Risk: The Science and Politics of Fear*. [For more on this book, see this month's **Bonus Resource**.]

He reviewed the work of cognitive psychologists to understand why we are triggered to perceive some things as fearful and not others and how sometimes we can get those things wrong. Gardner discovered that **a big part of the problem is our unconscious mind was developed in the stone age but we live in the information age**. As a result, the unconscious mind, i.e., the source of intuition, can get things very wrong.

We tend to blindly follow our gut instead of examining our intuitions and asking ourselves:

- **Do we really have evidence to support this perception?**

- **Does this belief actually make sense?**
- **Is this a rational position?**

Gardner asserts that **people need to learn to stop and apply the habit of thinking about intuitions**. His advice is a summary of the risk management discipline: **use reason, examine the evidence, calculate and consider**.

Encourage your executives to use their gut instincts and judgment while also **avoiding common risk perception traps by testing their intuitions**.

3. **Beware the beneficiaries of power. Will the implementation of systematic risk management shift the power structure in the organization?** Or is there the perception that it might? If so, you will likely find yourself up against political resistance.

I suggest you might want to learn from Niccolò Machiavelli who wrote in 1513 **"there is nothing more difficult to execute**, nor more dubious of success, nor more dangerous to administer **than to introduce a new system of things: for he who introduces it has all those who profit from the old system as his enemies**, and he has only lukewarm allies in all those who might profit from the new system."

Take the time to identify who the beneficiaries of the current system of decision-making are. Get to know them and find out if they are likely to be allies or enemies on the quest to systematize risk management in your organization.

If you suspect they will be 'enemies', try to minimize their opportunities for putting up political barriers. For example, avoid having them in a position of approving your program. If you can't sideline or go around your 'enemies' then **be watchful for any signs of sabotage and nip it in the bud**. If you don't, political resistance could poison your organization's fledgling risk culture.

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The Risk Wise bottom line...

Political resistance is deadly because it undermines the development of a risk management culture. Help your senior executives to see that they have nothing to fear. **With systematic risk management they will make wise judgments and increase their legitimacy and authority as decision-makers**.

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Tell me how you've overcome political resistance to risk management. I appreciate receiving emails with your tips and success stories at Diana.Belluz@riskwise.ca

BONUS RESOURCE: The Politics of Risk Perception

By Diana Del Bel Belluz, M.A.Sc., P.Eng.

Have you ever assessed a risk only to have the results dismissed by a senior executive with the question “*But what is the real risk?*”

It’s frustrating to hit a total disconnect between reason and politics.

In his 2008 book *Risk: The Science and Politics of Fear*, Journalist **Dan Gardner** explores the psychology of risk perception that produces that kind of disconnect. Gardner’s book synthesizes four decades of scientific research into how humans perceive risks, how we judge which risks to fear and which to ignore, and how we decide what to do about them.

One of the key discoveries is that **every human brain has two systems of thought.**

- **System Two is Reason** or the head. It works slowly. **It examines evidence, it calculates and considers.**
- **System One is Feeling** or the gut. It works without our conscious awareness and is lightning fast. It is what is used in snap judgments that we experience as a hunch or an intuition or as emotions like unease, worry and fear [or conversely, enthusiasm and excitement]. **System One works quickly**

because it uses built-in rules of thumb and automatic settings.

Gardner concludes “**System One is both brilliant and flawed.** It is brilliant because the simple rules of thumb System One uses allow it to assess a situation and render a judgment in an instant... But System One is also **flawed because the same rules of thumb can generate irrational conclusions.**”

This flaw is a good reason to **cultivate a risk conscience** as I advise in this month’s **Feature Article** on **dealing with political resistance.**

Gardner’s book explores **three factors that influence our perceptions: the media** that amplifies fear; **fear marketers**, i.e., individuals in organizations that profit from fear; and **psychology** which is the most important factor.

The book is filled with examples and stories that make it a great read and explain the science beautifully. Gardner makes a compelling case to apply what is known about how our two minds work. Critical thinking is **the only way to empower us to make the most of what both our gut and our head are telling us while avoiding the traps of bias and prejudice.**

Watch Dan Gardner discuss his book in a 4-minute interview **on the CBS Early Show** at:

<http://www.youtube.com/watch?v=Lx9tZ-g3H8g&feature=user>

And listen to a 51-minute interview with **Dan Gardner on National Public Radio** at:

<http://wamu.org/programs/dr/08/08/05.php#21637>

NEW SUBSCRIBER BONUS

Don’t miss out on future issues of **Risk Management Made Simple** monthly E-Zine. **Subscribe and the E-Zine will be delivered (at no charge) directly to your e-mail inbox.**

Subscribe online at www.riskwise.ca and receive your NEW SUBSCRIBER BONUS:

A complimentary copy of *Moving Beyond the Risk Map to Operational Vigilance.*

You’ll learn how to convert your static risk map into a tool for timely management action.

Pass it on! Please share this E-Zine with people in your network.

Upcoming Enterprise Risk Management Event

Is risk management a standard business practice across your organization?

Did you know that **I am on a mission to make systematic risk management a standard business practice?** I work towards this goal on a one-to-one basis with my clients, and on a one-to-many basis through my publications, speaking engagements, and conference programming activities.

I am honoured to be the facilitator for the **2008 Enterprise Risk Management Summit** and to have had an opportunity to help shape the program.

Please join me at this exclusive event:

November 6-7, 2009

Atlanta, Georgia

**Risk and Insurance
Management Society's**

**2008 Enterprise Risk
Management Summit**

***Turns on the Fly Wheel:
Accelerating ERM
Momentum***

The 2008 RIMS ERM Summit is an executive forum dedicated to sharing practical, real world methods for creating value through a successful ERM program.

The summit format combines insightful presentations of real-life ERM implementations with discussion of practical techniques and tools developed by experienced ERM practitioners. Participants will leave with a better understanding of the current ERM environment and practical approaches to continue development of their ERM programs.

Registration is restricted to 30 people to maximize opportunities for discussion.

Risk Wise's Diana Del Bel Belluz will facilitate the summit. **To register and view details on the line-up of speakers, visit:**

<http://cf.rims.org/Template.cfm?section=Education&Template=/CourseDirectory/CDcoursesDescription.cfm&Course=520>

About Us



Diana Del Bel Belluz
President
Risk Wise Inc.

Diana Del Bel Belluz, M.A.Sc., P.Eng., is a risk management advisor who **helps executives in large organizations to implement systematic and sustainable risk management practices**. Since 1990, Diana has been doing **leading-edge risk work** for companies in a wide range of industries and government organizations.

In addition, Diana **advances the field of risk management** by **teaching** university courses and management training seminars, **speaking** at conferences and **authoring** publications on a wide range of risk management topics.

To learn more about Risk Wise, contact Diana Del Bel Belluz directly at: Diana.Belluz@riskwise.ca



1 Yonge Street
Suite 1801
Toronto, Ontario
Canada M5E 1W7
T 416.214.7598
www.riskwise.ca